

S H E A / B A K E R R A N C H

Appendix F – Shea/Baker Ranch AHIP (Attachment C to Development Agreement)

EXHIBIT C

Affordable Housing Implementation Plan

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OPPORTUNITIES STUDY
AFFORDABLE HOUSING IMPLEMENTATION PLAN

A. Definitions.

1. **"Affordable Units"** means residential units, whether attached or detached, for sale or for rent, which are affordable to Very Low Income Households, Low Income Households, or Moderate Income Households, as those terms are defined below.
2. **"Affordable Housing Covenant"** means a restriction recorded at the time that a developer records its grant deed to the original home purchaser of an Affordable Unit which relates in some manner to the use of the property for affordable housing.
3. **"Housing Purchase Cost"** means the total payments for a single month for principal and interest on a 30-year fixed rate mortgage loan and any associated mortgage loan insurance costs, property taxes and assessments, fire and casualty insurance covering the replacement value of property improvements, and a reasonable allowance for utilities, and homeowner association fees.
4. **"Housing Rental Cost"** means the total payments for a single month for rent (other than security deposits), plus a reasonable allowance for utilities.
5. **"Low Income Household"** means a household whose annual income is greater than fifty percent (50%) but does not exceed eighty percent (80%) of the median family income for the area, as published by the California Department of Housing and Community Development, adjusted for family size.
6. **"Moderate Income Household"** means a household whose annual income is greater than eighty percent (80%) but does not exceed one hundred twenty percent (120%) of the median family income for the area, as published by the California Department of Housing and Community Development, adjusted for family size.
7. **"Offsite"** means outside of the boundaries of the entire Opportunities Study Area, but within the City of Lake Forest.

8. **"Project"** refers to the development of each of the individual project areas defined in the Opportunities Study Area General Plan Amendment. Thus, there are a maximum of six "Projects" and this policy shall be applied individually to each Project, rather than to the OSA as a whole or all Projects collectively.
9. **"Second Unit"** refers to an "accessory living quarters/second unit" as those terms are used in Section 9.180.050 of the City's Municipal Code and which meets the standards of Section 9.180.050(D).
10. **"Senior Unit"** means a residential unit occupancy of which is restricted to persons sixty-two (62) years of age or older, provided that the minimum age shall be fifty-five (55) years in any project containing 150 or more Senior Units.
11. **"Very Low Income Households"** means a household whose annual income does not exceed fifty percent (50%) of the median family income for the area, as published by the California Department of Housing and Community Development, adjusted for family size.

B. "Planning Principles" for Affordable Housing.

1. The developer of each Project will provide or facilitate the production of Affordable Units in conjunction with the development of its Project. Participation will be based on the "Point System" set forth in Section C below. Facilitation of the production of Affordable Units may include participation with the Lake Forest Redevelopment Agency in producing such units, on such terms as may be mutually agreeable to the Redevelopment Agency and the developer.
2. The types and locations of Affordable Units in all income categories may include, among other variations, onsite and offsite units (subject to Paragraph C3(b) below), for-sale and rental units, attached and detached units, and units of varying size and bedroom counts.
3. Consistent with City policy as set forth in Section 5 of the Housing Plan of the City's Housing Element (entitled "Expedited Project Review"), the City shall:
 - (a) Prioritize the review and processing of the Affordable Units component of all development applications for all aspects of the Project (including, but not limited to, those for area plans,

subdivision maps, site development permits, grading permits, and building permits); and

- (b) Retain an independent contracting firm to expedite the processing of all such development applications, upon the developer's agreement to pay the full cost of such retention.
- 4. The developer, at its sole discretion, may satisfy the "point" requirement of this policy through the provision of either rental or for-sale housing.
- 5. Subject to Paragraph B6 below, an Affordable Housing Covenant in favor of the City and/or Lake Forest Redevelopment Agency, in the form approved by the City as part of the implementation of each Project, shall be recorded against each Affordable Unit that is not a Second Unit. The Affordable Housing Covenant shall be recorded at the time that the developer records its grant deed to the original home purchaser of a for-sale unit or prior to the occupancy of the first tenant of a rental unit.

If the rental unit is within a multi-family development in which not all of the units are Affordable Units, the Affordable Housing Covenant shall specify the total number of units (as opposed to identifying specific units) within that development which must be made available as Affordable Units. In that case, the Affordable Housing Covenant also shall clearly state that beyond the identified number of Affordable Units, no other units within the development are encumbered by the Affordable Housing Covenant.

- 6. An Affordable Housing Covenant shall not be required for Affordable Units sold to Moderate Income Households if the developer declines to receive the additional one (1.0) point credit for a moderate for-sale unit as provided in Paragraph C4 below. Regardless of whether an Affordable Housing Covenant is recorded for a Moderate Income Affordable Unit, the initial sale of such unit shall be to a qualifying Moderate Income Household, with the household income adjusted for family size.
- 7. The provisions of this policy pertaining to the recording of Affordable Housing Covenants shall apply to all pre-existing units for which "points" are given, including but not limited to pre-existing rental units converted to "for sale" units which are treated under the Point System below as "for sale" units.

C. The Point System.

The purpose of the "Point System" described below is to provide incentives for the provision of certain types of affordable housing as part of development in the Opportunities Study Area, in order to meet the housing needs of the community. These housing types include units affordable to lower income categories, onsite units, units with multiple bedrooms, and owner-occupied units.

1. **Required Points.** The number of Affordable Units to be provided will be based upon a "Point System." The number of required "points" will be equal to 15% of the total number of units approved and built within a Project. For example, if 2,815 units are built within a Project, then a total of 422 "points" will be required. Notwithstanding any provision of this Plan, including the application of any provision of the Point System, and with the exception of the Projects on Sites 5 and 6 in the OSA GPA, no Project shall provide a number of Affordable Units that is less than eight and one-half percent (8.5%) of the total number of market-rate units which are approved under the Project's First Tentative Map.
2. **Offsite Affordable Units.** Offsite Affordable Units will be provided points only if they are affordable to Very Low and Low Income Households.
3. **Base Points.** Subject to Paragraph C2 above:
 - (a) **One Base Point (1.0)** shall be awarded for each home sold or rented onsite to households within any affordable income category (moderate, low, and very low), and
 - (b) **One half Base Point (0.5)** shall be awarded for each home sold or rented offsite to Low or Very Low Income Households.
4. **Additional Points.** Because of the City's interest in (1) providing certain amenities, (2) serving lower income categories, and (3) providing onsite Affordable Units, points shall be awarded in addition to Base Points, as set forth below, for each onsite Affordable Unit in any income category which meets the following criteria:
 - (a) To encourage units for families, additional points based upon bedroom counts shall be provided as follows, with points awarded for only one bedroom count category in this subparagraph (a) (for example, a four bedroom unit receives one (1.0) additional point, not 0.2+0.7+1.0):

- (i) 0.2 additional point for two-bedroom units;
 - (ii) 0.7 additional point for three-bedroom units; and
 - (iii) 1.0 additional point for four-bedroom units.
- (b) In addition, to encourage development of Affordable Units in the Low and Very Low Income Household categories, one-half (0.5) additional point shall be provided for rental units affordable to Low Income Households and one (1.0) additional point shall be provided for rental units affordable to Very Low Income Households.
- (c) In addition, to encourage the placement of Affordable Units within Market Rate Communities,¹ one-half (0.5) additional point shall be provided for each Affordable Unit located within a Market Rate Community, provided that at least fifty percent (50%) of the Units within the applicable Market Rate Community are market rate units.
- (d) In addition, to encourage the development of "for sale" Affordable Units, for each for-sale unit with an affordability deed restriction, the following points will be provided for deed restrictions consistent with Paragraph D1:
 - (i) 3.0 additional points for very low income units;
 - (ii) 2.0 additional points for low income units; and
 - (iii) 1.0 additional point for moderate income units, subject to the limitations of Paragraph C5(e).

5. Other Considerations.

- (a) Points may be provided for any net increase in Affordable Units in the City constructed or provided by the developer of a Project (including through participation by the developer with the Lake Forest Redevelopment Agency) through any combination of housing units which are affordable to Moderate, Low, or Very Low Income Households, including, but not limited to:
 - (i) Apartments, including the conversion of existing market rate units to Affordable Units, provided that the

¹ A "Market Rate Community" shall be deemed to be any group Units within the boundaries of a Final Map in which the predominant Units are not Affordable Units.

Developer assumes all tenant relocation obligations created by law and in effect on the date of the conversion;

- (ii) For sale housing, including the conversion of off-site existing market rate rental or for-sale units to Affordable Units with recorded Affordable Housing Covenants, provided that the Developer assumes all tenant relocation obligations created by law and in effect on the date of the conversion;
 - (iii) The inclusion of Second Units on lots within the Project (all Second Units shall be deemed to be "Moderate" units).
- (b) All "points" are cumulative, with a single Affordable Unit receiving points for all criteria which it meets, except as expressly provided within this Plan.
- (c) An additional one (1.0) point shall be provided for a Second Unit. However, a Second Unit may have a total of no more than two (2.0) points, and no points shall be granted for the primary unit on any lot containing a Second Unit. No more than 25% of the total Affordable Units for a Project may receive Second Unit credit
- (d) Moderate Income Affordable Units may account for no more than one-third (1/3) of the total number of "points" provided to a Project.
- (e) An on-site for-sale unit sold to a Moderate Income Household does not require an Affordable Housing Covenant (unless the unit is converted from existing housing), provided that the additional 1.0 point available under Paragraph C4(c) for for-sale moderate income units shall not be provided to any Affordable Unit unless an Affordable Housing Covenant is recorded.
- (f) In calculating aggregate points earned by a given Project, fractions equaling one half (0.5) or greater shall be rounded to the next highest whole number. This rounding shall not apply with respect to the points earned by any individual Affordable Unit.
- (g) Senior Units receiving points under this Plan may account for no more than one third (1/3) of the Affordable Units

provided by a Project, provided that Senior Units may be transferred between Projects if: (i) the aggregate cap on Senior Units among all Projects is not exceeded as a result of any transfer; and (ii) the City determines that the transfer of Senior Units will further the goals of the Housing Element, the Affordable Housing Implementation Plans for the Projects involved, and this Plan.

D. Other Terms and Conditions.

1. **Term of Affordable Housing Covenants.** The affordability restrictions contained in Affordable Housing Covenants will commence with the first occupancy of the Affordable Unit by a Very Low, Low, or Moderate Income Household and will terminate in thirty (30) years, except when sources of funding or applicable laws dictate longer periods of affordability restriction.
2. **Related Calculations.** Calculations related to qualification shall include:
 - (a) For units not otherwise required by the funding sources to meet the Housing Rental Cost identified in California Health and Safety Code Section 50053, as may be amended from time to time, the Housing Rental Cost shall not be greater than the following amounts:
 - (i) For Moderate Income Households: 30% of 120% of the area median income adjusted for family size appropriate for the unit;
 - (ii) For Low Income Households, 30% of 80% of the area median income adjusted for family size appropriate for the unit;
 - (iii) For Very Low Income Households, 30% of 50% of the area median income adjusted for family size appropriate for the unit.
 - (b) For units not otherwise required by the funding sources to meet the Housing Purchase Cost identified in California Health and Safety Code Section 50052.5, as may be amended from time to time, the Housing Purchase Cost shall not be greater than the following amounts:
 - (i) For Moderate Income Households: 35% of 120% of the area median income adjusted for family size appropriate for the unit;

- (ii) For Low Income Households, 30% of 80% of the area median income adjusted for family size appropriate for the unit;
 - (iii) For Very Low Income Households, 30% of 50% of the area median income adjusted for family size appropriate for the unit.
 - (c) Unless a source of funding for a particular Project or Affordable Unit dictates a lower standard, household size shall be deemed to equal two persons per bedroom. For example, a two bedroom dwelling unit could accommodate a 4-person household.
 - (d) Unless private mortgage insurance is required by the mortgage lender, mortgage interest rate assumptions shall assume a fully amortized 30-year fixed rate loan. No requirement for private mortgage insurance shall be assumed (due to the loan to value ratio based on the unrestricted home value), provided that a lender is willing to forego private mortgage insurance, and the mortgage interest rate assumed shall be no lower than the interest rate such a lender offers under such conditions.
 - (e) Down payment on for-sale Affordable Units shall be assumed to be 5% of the Affordable Unit sales price.
3. **Updating of Pricing Estimates.** Pricing estimates required by this policy may be updated to reflect then-current eligibility requirements at any time before the Affordable Units are sold.
4. **Payment of In-Lieu Fees and Alternative Means of Satisfying Obligations.** An affordable housing in-lieu fee may be paid by the developers of those Projects built upon Sites 5 and 6 in the OSA GPA, and by developers of Projects built upon Site 1 and other Projects with the consent of the City. The affordable housing in-lieu fee shall be \$12,000 per dwelling unit for each home within each Project. The fee is adjustable each year based on the latest California Consumer Price Index published by the State of California Department of Finance, with the January 2007 Consumer Price Index serving as a baseline. With the consent of the City, the developer of a Project may dedicate land to the City in partial or complete satisfaction of the developer's obligations under this Affordable Housing Implementation Plan to make available Affordable Units.

5. **Phasing.** Unless a Project's affordable housing obligations have been satisfied through payment of an in lieu fee or dedication of land as provided in Paragraph D4 above, the following process shall be followed to account for the provision of Affordable Units within the Project:

Before or with the submittal of the first application for a Site Development Permit (an "SDP") for a neighborhood or phase within a Project, the developer of that neighborhood or phase shall estimate the total number of market rate residential units which it anticipates to build on the Project site as part of the neighborhood or phase (the "Total Units"). This number may be revised, at the developer's discretion, upon the submittal of future SDPs to reflect increases or decreases in the Total Units proposed to be built in the neighborhood or phase.

- (a) With each application for an SDP, the developer shall provide an update to the Affordable Housing Implementation Plan submitted with the First Tentative Map Submittal Package pursuant to the Development Agreement for that Project, which shows the anticipated type (for-sale or rental), size, estimated price or rent, and location of each proposed Affordable Unit to be provided through the completion of the development contemplated by that SDP (an "SDP Cycle"). Additionally, the developer shall indicate the number of "points" that it shall earn upon the completion of the Affordable Units within that SDP Cycle. The Affordable Housing Plan may be revised during the course of the SDP Cycle to reflect updated assumptions.
- (b) Building permits must be issued for Affordable Units which will generate one-fourth (25%) of the total required affordable housing "points" before the issuance of building permits beyond 45% + 1 of the then current anticipated number of Total Units.
- (c) Building permits must be issued for Affordable Units which will generate an additional one-fourth (for a total of 50%) of the total required affordable housing "points" before the issuance of building permits beyond 65% + 1 of the then current anticipated number of Total Units.
- (d) Building permits must be issued for Affordable Units which will generate an additional one-fourth (for a total of 75%) of the total required affordable housing "points" before the

issuance of building permits beyond 80% + 1 of the then current anticipated number of Total Units.

- (e) Building permits must be issued for Affordable Units which will generate an additional one-fourth (for a total of 100%) of the total required affordable housing "points" before the issuance of building permits beyond 97% + 1 of the then current anticipated number of Total Units.

6. **Rehabilitation of Offsite Units.** No points shall be awarded for any offsite unit until and unless the unit has been rehabilitated to meet all codes and standards applicable to new units.
7. **Construction and Design Standards for Affordable Units.** Affordable Units shall be designed and constructed so as to be substantially equivalent to the base-level market rate units of a similar product type within the Project with respect to design, appearance, materials, finished quality, and interior amenities.
8. **Siting of Affordable Units.** If Affordable Units are part of a larger market rate neighborhood or development within a Project, the Affordable Units shall be dispersed throughout the neighborhood or development. This paragraph shall apply only to for-sale Affordable Units, and not to rental units.
9. **Reporting and Monitoring of Compliance.** The owner of any Affordable Unit shall comply with the requirements of California Health & Safety Code Section 33418, including but not limited to the submission of an annual report, with respect to the Affordable Unit as though Section 33418 applies to the Affordable Unit, regardless of whether Section 33418 actually applies. With respect to rental Affordable Units, the owner of the units shall cause the information required by Section 33418 to be submitted on forms prescribed by the City, and any contract between the owner and the manager of the units shall require the manager to comply with the affordability requirements and standards established by this Affordable Housing Implementation Plan and applicable law. The owner of any Affordable Units shall provide the City with the name and qualifications of any proposed manager of the Affordable Units, and shall not employ or retain a manager not approved by the City, provided that the City's approval shall not be unreasonably denied, and further provided that the City shall not disapprove the following managers: (i) Shea Properties; (ii) Jamboree Housing Corporation; (iii) Bridge Housing; (iv) KDF Communities; (v) Steadfast Companies; (vi) Affirmed Housing Group; (vii) Pacific West Companies; (viii) AF Evans; (ix) Simpson Housing LLP; and (x)

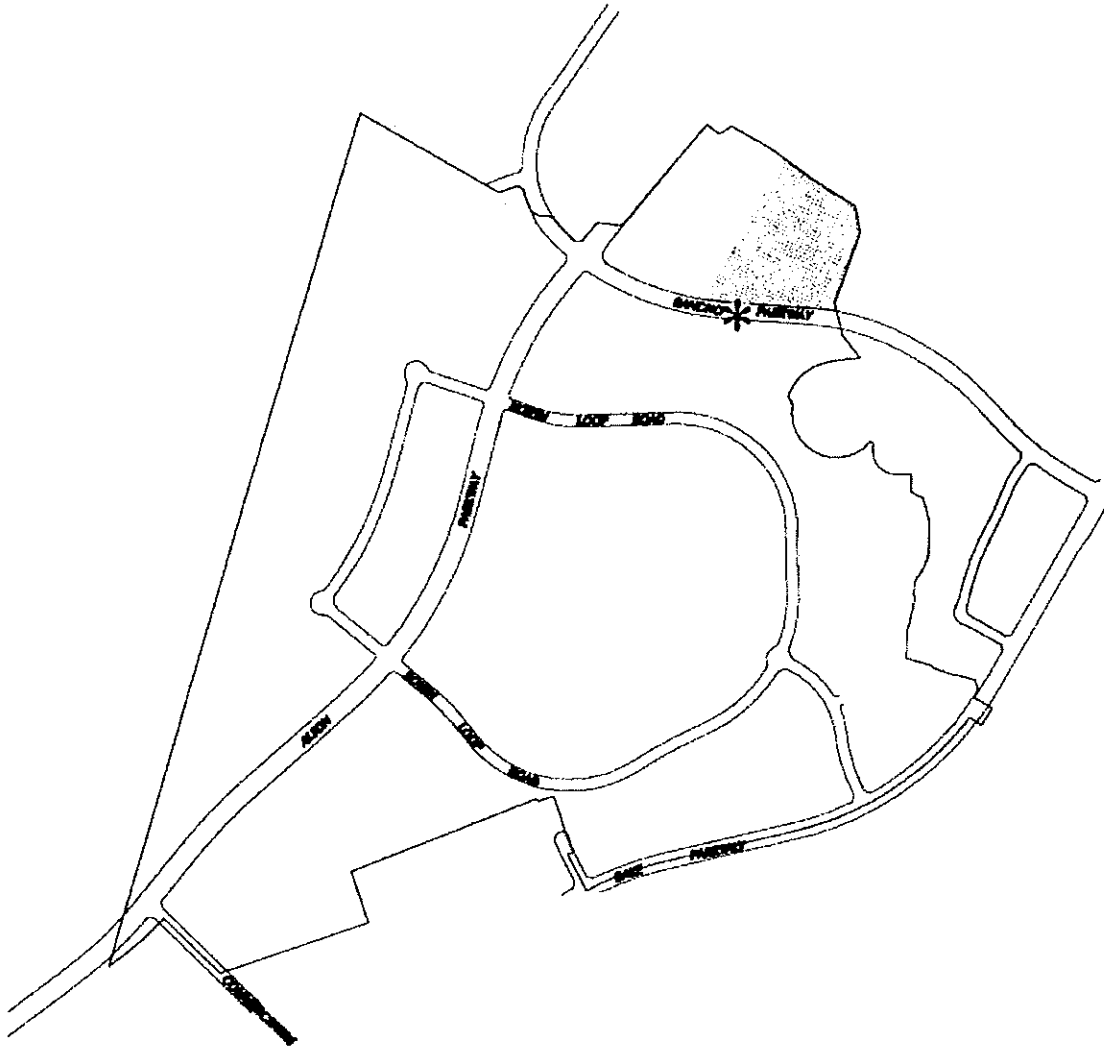
Fairfield Residential LLC. The City shall have the right to audit any information submitted by the owner of an Affordable Unit, and the owner shall pay the cost of such audit if such information is submitted on an improper form. With respect to owner-occupied Affordable Units for which an Affordable Housing Covenant is recorded, the developer of such units shall cause a condition to be included in the Affordable Housing Covenant requiring that the information required by Section 33418 be submitted to the City in connection with any subsequent sale of the Affordable Unit.

10. **Maintenance Standards for Rental Affordable Units.** Owner shall comply with all provisions of the covenants, conditions and restrictions (CC&R's) for the rental property, approved by the City as part of the implementation of the Project, including the property maintenance requirements set forth in the CC&R's. The CC&R's shall provide that if property maintenance deficiencies are not corrected following notice from the City to Owner (or any successor in interest), the City may perform such repairs or maintenance as may be necessary, and may recover the cost of such work from Owner.

EXHIBIT C-1

Affordable Site

Exhibit C-1
AFFORDABLE SITE



Scale: 1"=1,000'

LEGEND



PROVISION OF ACCESS AS GENERALLY
SHOWN OFF OF RANCHO PARKWAY.



AREA WITHIN WHICH AFFORDABLE HOUSING
IOD MAY BE LOCATED. THE NUMBER OF
ACRES SHALL BE DETERMINED IN
ACCORDANCE WITH SECTION 8.23.

NOTE: ALL STREET CONFIGURATIONS ARE CONCEPTUAL

DATE: 05-20-2010